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## CURRENT SUPPORT BRIEF

POLAND TO GO-IT-ALONE IN DESIGNING HUGE TIRE PLANT

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POLAND TO GO-IT-ALONE IN DESIGNING HUGE TIRE PLANT

In a surprise development in January 1962, Poland indicated that it had abandoned plans to buy technology for a huge tire plant from the Free World, and instead would design the plant itself. The Poles withdrew from negotiations to buy technical data from a US company when the firm failed to obtain an export license from the US Department of Commerce by a 1 January 1962 deadline. Moreover, they stated their unwillingness to pay the price charged for designs and equipment by competing firms--presumably British. It appears possible that Poland's decision also reflects promises of technical assistance from the USSR. In any case, the Polish decision will probably increase the cost and delay the completion of the tire plant, which was originally scheduled to be opened in 1965 at Olsztyn, and which is to supply most of Poland's additional needs for motor vehicle tires through 1975.

As early as mid-1960 Polish officials were reported to be negotiating with the British "Rustyfa"\*\* consortium.<sup>2/</sup> In the fall of 1960 the Polish press reported that construction of a tire plant with an annual capacity of 3.5 million tires would begin in 1961 at Olsztyn, that the "technical documentation" was then being worked out in Britain, and that the UK would supply 70 percent of the equipment for the plant and would train some of the personnel.<sup>3/</sup> The cost was to be 1.26 billion zlotys (approximately US \$40 million), including 0.5 billion zlotys for imported equipment and technology.<sup>4/</sup> In May 1961 it was announced that the start of construction had been set back until 1962, but no mention was made then or subsequently of imports of British technology and equipment.<sup>5/</sup>

Meanwhile, there were indications that the Poles had also been negotiating with US firms for erection of the same plant. In late 1960 and in 1961 representatives of US firms discussed the project with Polish officials,<sup>6/</sup> and an application to export technical data valued at \$2.5 million was made to Commerce in July 1961.<sup>7/</sup> On 11 December 1961, this application was denied, as has been the case with all previous requests to export US technical data in this field to the Bloc.<sup>8/</sup> On 25 January 1962 this decision was rescinded and Commerce was authorized to approve the license if the applicant's request was reinstated.<sup>9/</sup> By this time, however, the Poles apparently were not interested in buying this technology from the US. Officials of the Polish trade organization, Polimex, explained to American Embassy officials and to the US firm involved that they were "forced to buy from another direction,"--although the US terms for almost the identical services were preferable--because the export license was not forthcoming by 1 January 1962.<sup>10/</sup> The Poles said heavy pressure had been exerted by the Planning Commission to begin construction of the tire plant.

Although representatives of the US firm involved seemed to think the British "Rustyfa" group was going to get the contract, the Poles apparently gave no such indication. When questioned by US Embassy officials, Polimex officials declined to name an alternate supplier.<sup>11/</sup> On 27 January it was stated in the Polish press

\*\*"Rustyfa" (Russian tire factory)--a consortium of British firms which previously had constructed the tire factory at Dnepropetrovsk in the Ukraine. The plant went into operation in 1961.<sup>1/</sup>

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that "firms which made an offer for the delivery of designs and equipment charged more than we are in a position to pay," that the designs and part of the equipment would be made in Poland, and that the equipment which could not be made in Poland would be purchased from Czechoslovakia and from the Free World.<sup>12/</sup>

Both the completion date of the plant and estimates of its cost have been revised. The article cited above stated that the Designing Office of the Rubber Industry in Warsaw should have a preliminary design ready by the end of 1962, that blueprints would be prepared in 1963 and that the plant might open in 1966 rather than in 1965 as originally planned. Previously on 16 December the Polish radio reported that construction of the Olsztyn plant would begin in the second half of 1962 and that the cost would exceed 2 billion zlotys, a significant increase over the earlier estimates of 1.26 billion zlotys (1960) and 1.4 billion zlotys (1961),<sup>13/</sup> and one which cannot be accounted for by any general rise in construction prices. On 2 January 1962 the Polish press claimed the blueprints of the new plant were "already well advanced" and that technicians were being trained in "other cities."<sup>14/</sup>

The importance of the Olsztyn tire plant to Poland is evident from a consideration of projected tire production and requirements. At present Poland has only two tire plants located at Poznan and Debica which are scheduled for modernization and combined output of which is to be increased from 1,600,000 motor vehicle tires in 1960 to 2,500,000 tires in 1965. However, Polish requirements for motor vehicle tires are expected to total 2,900,000 units in 1965 and to reach 5,600,000 units in 1975. Output of the Olsztyn plant, which is to be one of the largest in the Bloc, is to fill the gap.<sup>15/</sup>

At present the Bloc is troubled with tire shortages and has problems with quality, factors which increase the urgency for Poland to complete the Olsztyn plant. According to available information, a severe shortage of tires is harassing the Soviet economy at the present time.<sup>16/</sup> For obvious reasons, the USSR already has completed the purchase of one tire plant from the Free World\* and is having at least one more built by Free World engineers.<sup>17/</sup> In May 1961 East Germany complained at a meeting of CEMA's working group for the rubber industry that the quality of East German tires had been lowered because of a lack of modern equipment and that East Germany has been unable to obtain tire-making equipment on a large-scale from other CEMA countries.<sup>18/</sup> Rumania is also buying a tire plant from the British.

At the same time the USSR is reported to be supplying technical assistance in tire-making to Bloc and non-Bloc countries, in part through the CEMA mechanism. In 1959 the USSR was assigned major responsibility for preparation of standardized designs for a tire plant and in 1961 agreed to supply East Germany with all the technology necessary for planning of two tire plants.<sup>19/</sup> Moreover, the USSR recently agreed to supply Ceylon with a small tire plant (250,000 tires per year).<sup>20/</sup> An unconfirmed Polish press report of November 1961 concerning Polish-Soviet cooperation through 1980 stated that the USSR is to supply Poland complete equipment for an automobile tire plant with an annual production of 3.5 million units.<sup>21/</sup>

\*See footnote on page 2.

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